



Global Equity

Annual Plan:
Fiscal Year 2005-2006



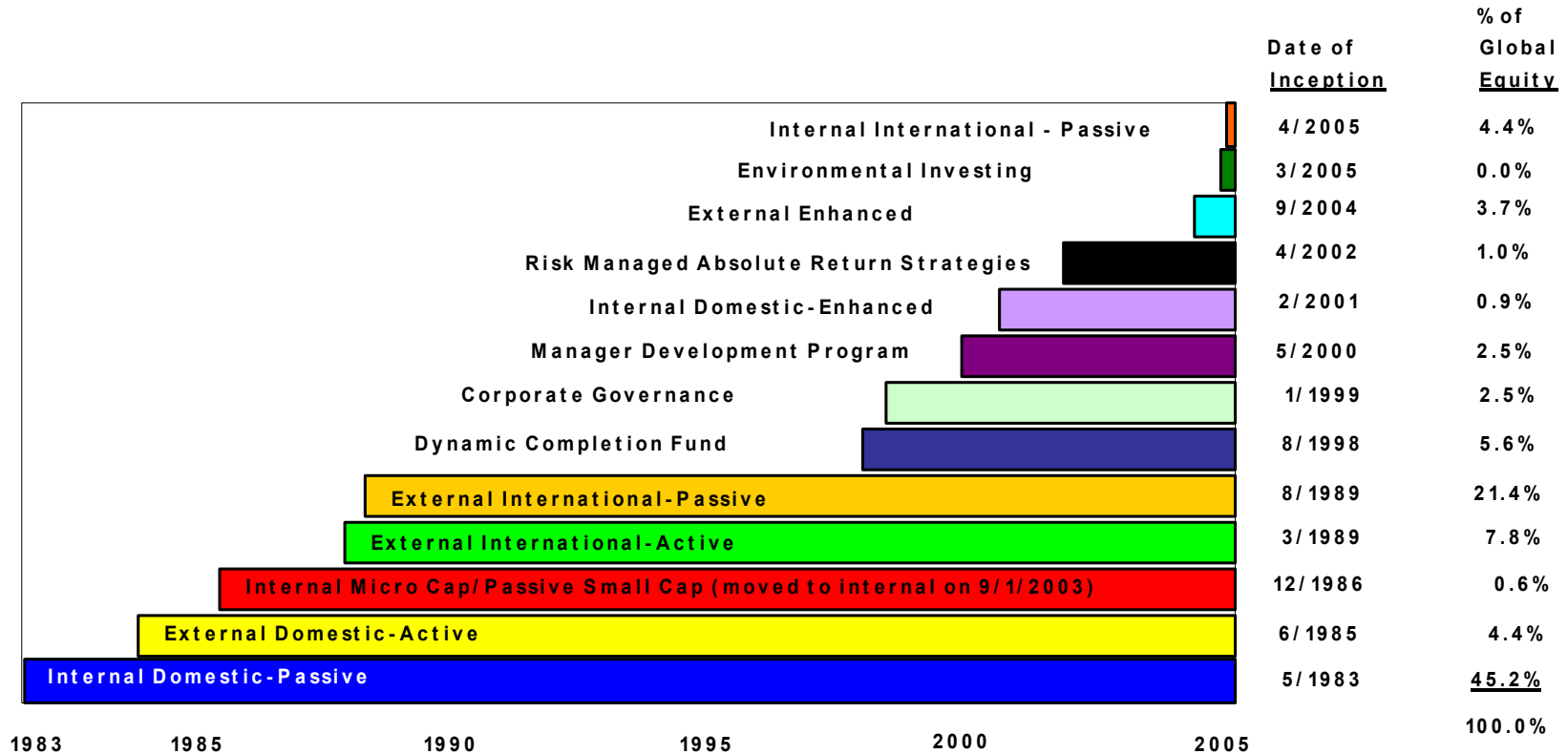
Long Term Goals For Global Equity

- Outperform benchmarks over the complete market cycle.
- Implement industry “Best Practice” investment management, policies and procedures.
- Enhance CalPERS’ leadership position in Corporate Governance.





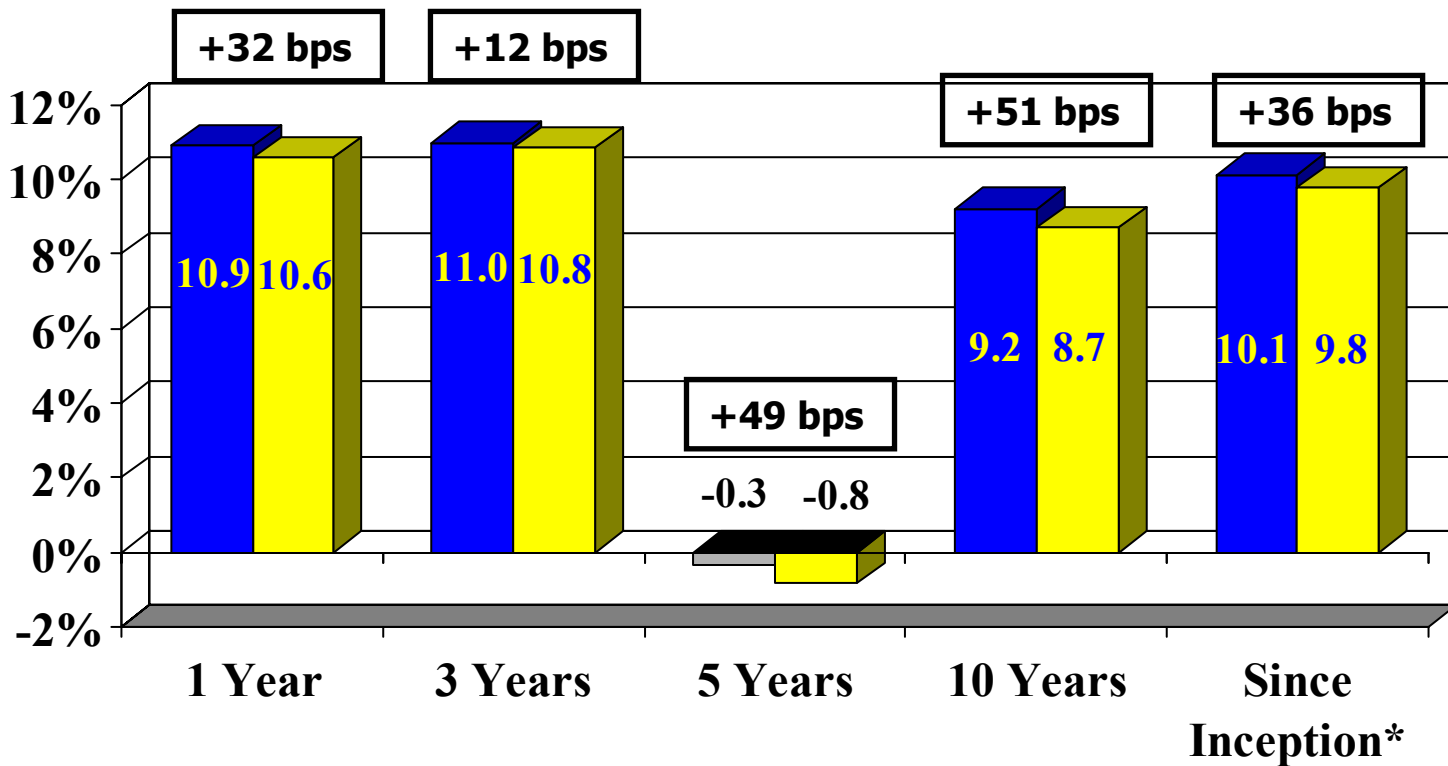
Evolution of Global Equity





Global Equity Annualized Active Return in Basis Points as of 6/30/05

(Current Assets of \$117.7 Billion)



■ Total Global Equity

■ Total Global Equity Benchmark

*Inception Date: 6/30/1992. CFA Institute compliant. Net of fees.

State Street Bank is the data source for all performance charts in this presentation.





Internally Managed Portfolios

Accomplishments for 2004-2005

- Received conceptual approval for Global Equity Developmental Fund.
- Developed and launched internal capability for International Equity Management.
- Improved the operation of the Domestic Internal Enhanced Index Portfolio.
- Implemented Charles River System improving trade order management and compliance.





Internally Managed Portfolios

Action Plan for 2005-2006

- Research and execute strategies for the Internal Developmental Fund.
- Explore new indexing strategies.
- Explore internal opportunities available in international equities:
 - Research into International Enhanced Indexing
 - Research into Internal Management of Emerging Markets
 - Exploration of an International Dynamic Completion Fund
- Integrate enhanced investment technology to support research and portfolio construction process improvement.





Active External Equity Management

Accomplishments for 2004-2005

- Significant improvement in external manager performance.
- Completed RFP's:
 - U.S. enhanced indexing managers.
 - International active and enhanced indexing managers.
 - MDP II Advisors.
- Improved business model for external managers:
 - Eliminated Public “Watchlist”
 - Migrated to Spring Fed Pool RFP's
 - Converted Manager “Terminations” to “Resignations”
- Initiated RFP for U.S. and international environmental managers.
- Funded an environmental exchange traded fund (ETF).



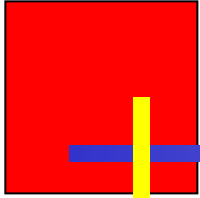


Active External Equity Management

Action Plan for 2005-2006

- Initiate Funding of:
 - MDP II Managers
 - Environmental managers
 - Active and enhanced international managers
- Execute RFP for pools of international and developed emerging markets managers.
- Examine benefits of removing the “Long-Only” constraint for qualified external enhanced index managers.
- Request IC approval for pool of domestic active managers.





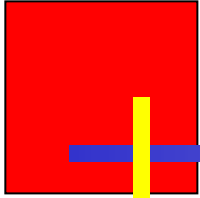
Corporate Governance



Accomplishments for 2004-2005

- Developed Executive Compensation Strategic Plan.
- Developed Corporate Governance Environmental Strategy.
- Allocated \$500 million to 3 new corporate governance managers.
- Completed pool for corporate governance resources.
- Improved proxy voting internal processes and compliance.





Corporate Governance



Action Plan for 2005-2006

- Implement Executive Compensation Strategic Plan.
- Implement Corporate Governance Environmental Strategy.
- Engage companies doing business in the Sudan.
- Implement positive recognition program for corporations.
- Explore active management strategy based on Focus List.
- Execute co-investment relationships with more external corporate governance managers.





Risk Managed Absolute Return Strategies

Accomplishments for 2004-2005

- Allocated \$470 million to 7 hedge funds.
- Significantly reduced the beta of the RMARS portfolio and its correlation to the US equity market.
- Increased the capital committed to the RMARS Program.
- Enhanced the portfolio construction / risk management process.
- Increased the level of transparency received.





Risk Managed Absolute Return Strategies

Action Plan for 2005-2006

- Develop global Fund-of-Funds platform (Asia / Europe).
- Further diversify the portfolio among and within individual strategies.
- Continue systematic management of portfolio construction to achieve desired portfolio characteristics.
- Continue to upgrade risk monitoring.

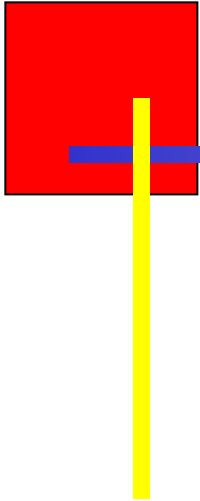




Priorities and Conclusion

Priorities for 2005-2006

- Continue to improve performance in the external manager line up.
- Fund MDP II and environmental managers.
- Maintain leadership position in Corporate Governance.
- Continue capital allocation process to optimize strategy mix.
- Equity Hedge: Continue to review and evaluate.
- Continue enhancing compliance technology and infrastructure.
- Carry out a strategic planning process for identifying future areas for Alpha generation and growth.

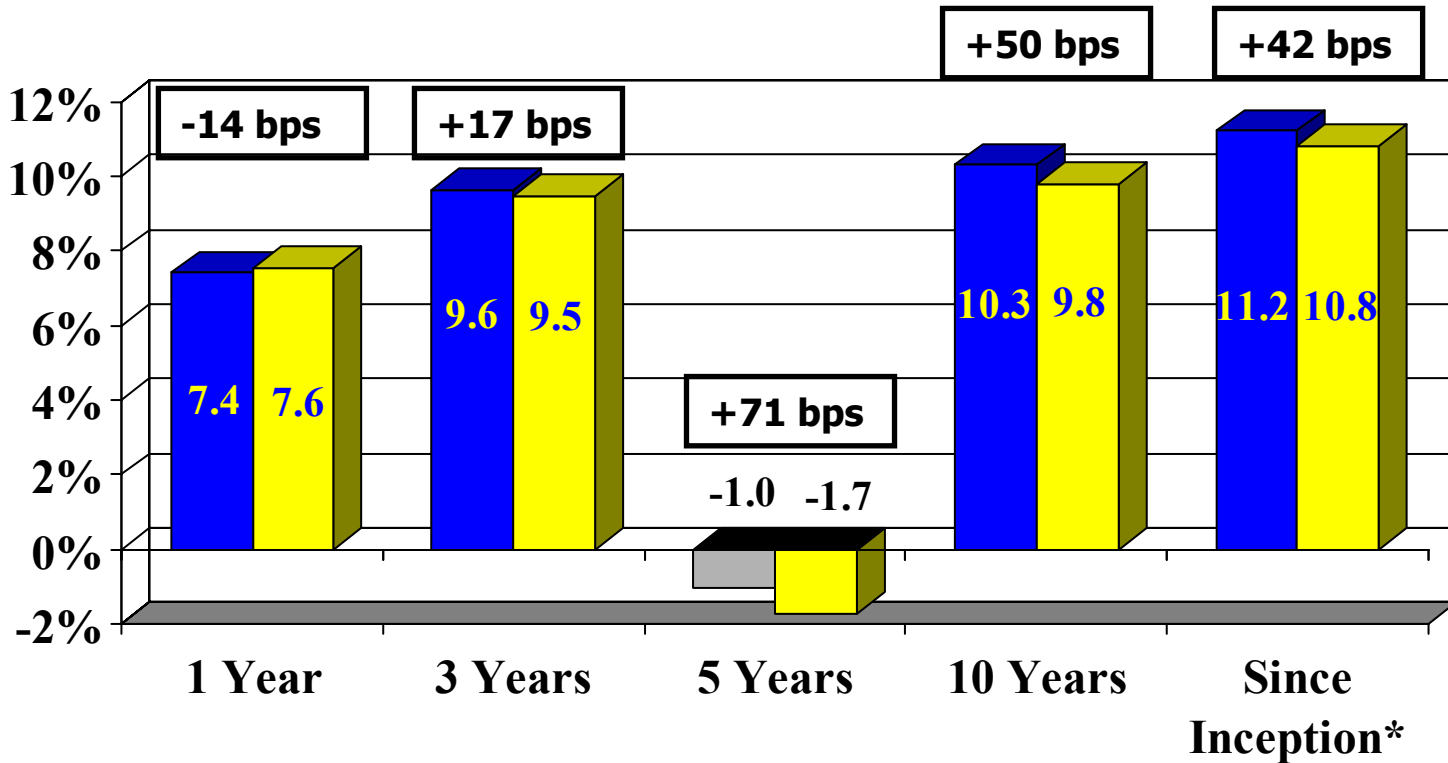


Performance Appendix



Domestic Equity Annualized Active Return in Basis Points as of 6/30/05

(Current Assets of \$75.6 Billion)



■ Domestic Equity **

■ Domestic Equity Benchmark

*Inception Date: 3/31/1990. CFA Institute compliant, Net of fees

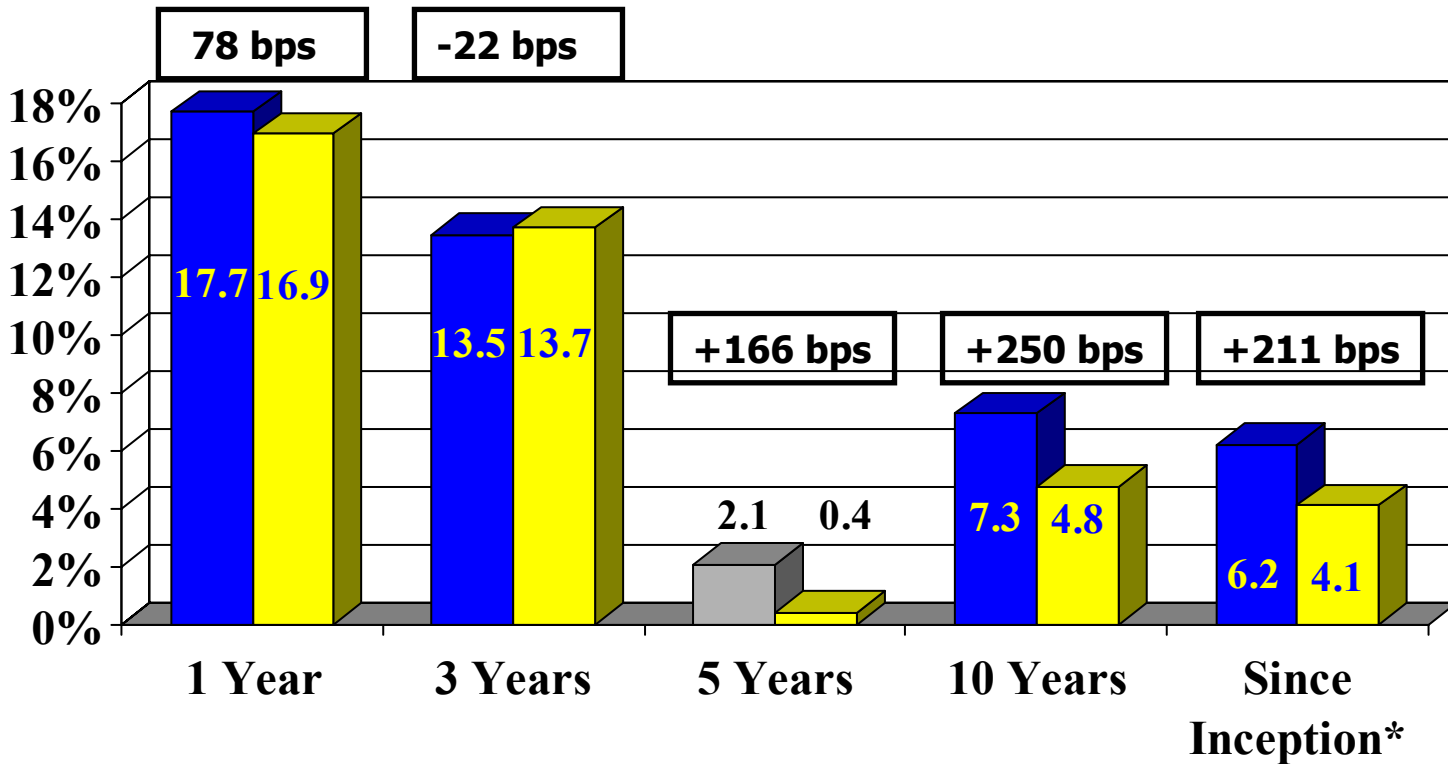
** Includes Corporate Governance, MDP, and RMARS





International Equity Annualized Active Return in Basis Points as of 6/30/05

(Current Assets of \$41.8 Billion)



■ International Equity

■ International Equity Benchmark

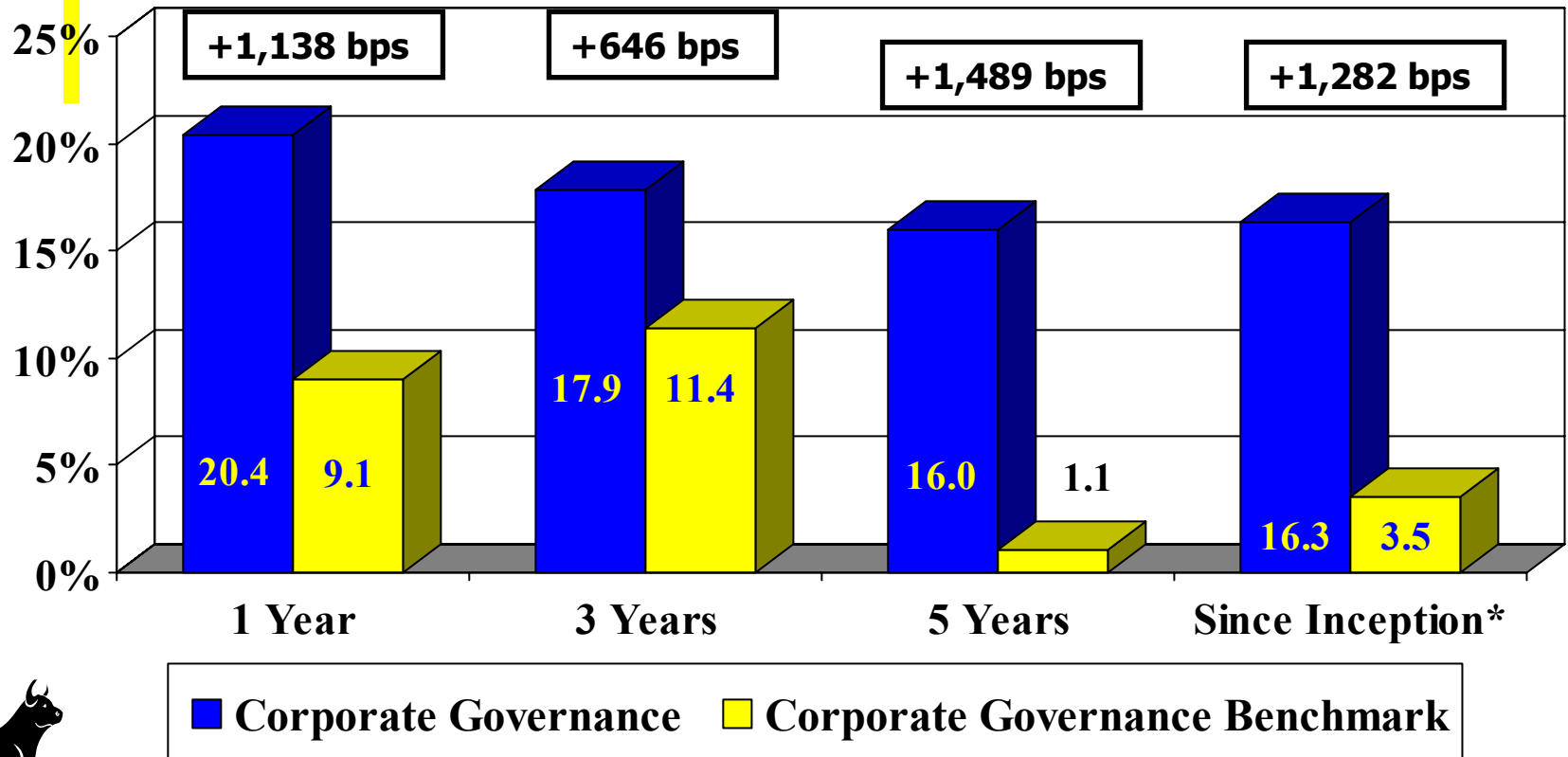
*Inception Date: 6/30/1989. CFA Institute compliant, Net of fees





Corporate Governance Annualized Active Return in Basis Points as of 6/30/05

(Current Assets of \$2.9 Billion)



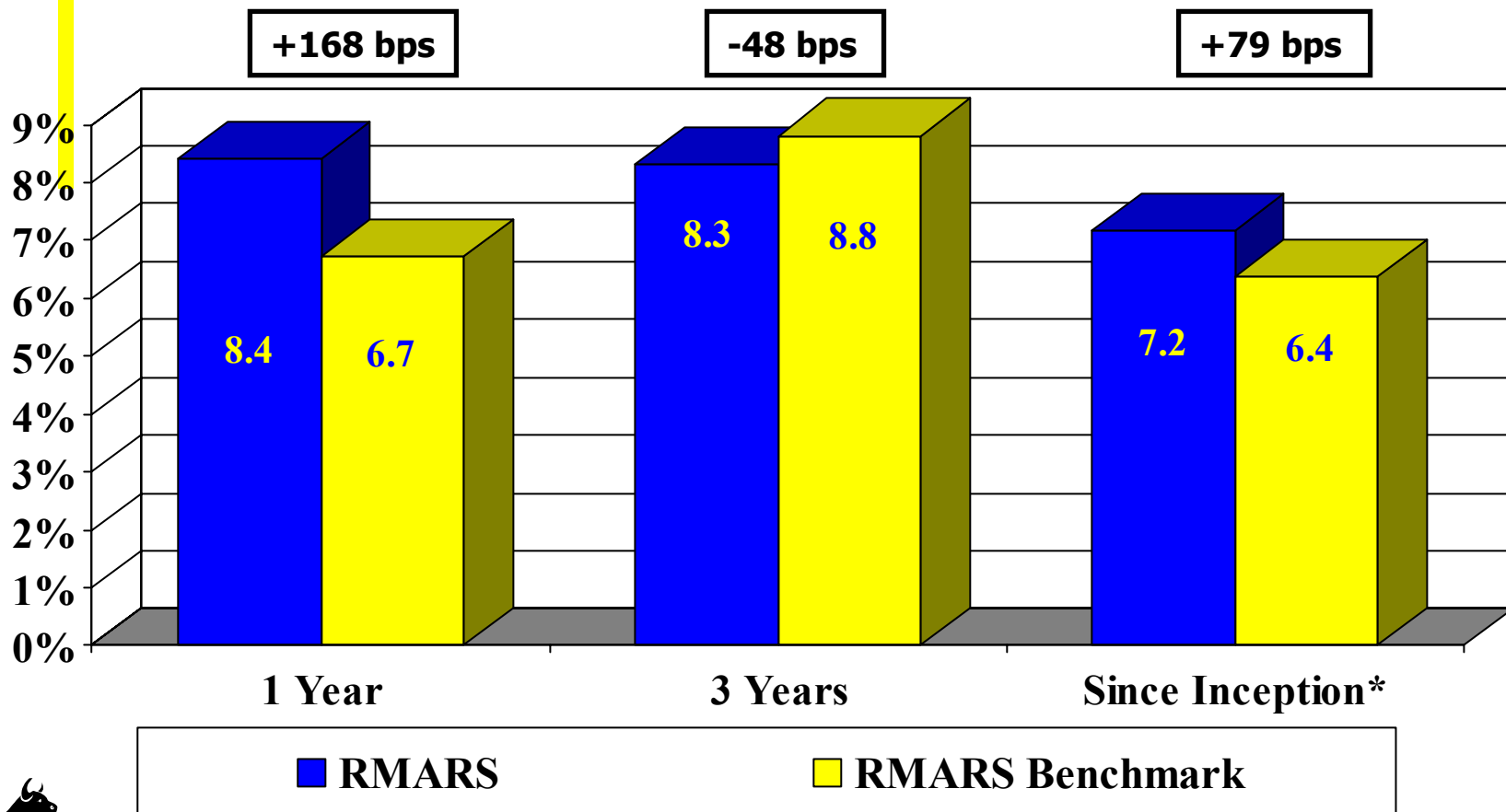
*Inception Date: 1/1/1999. CFA Institute compliant, Net of fees



Risk Managed Absolute Return Strategies

Annualized Active Return in Basis Points as of 6/30/05

(Current Assets of \$1.2 Billion)

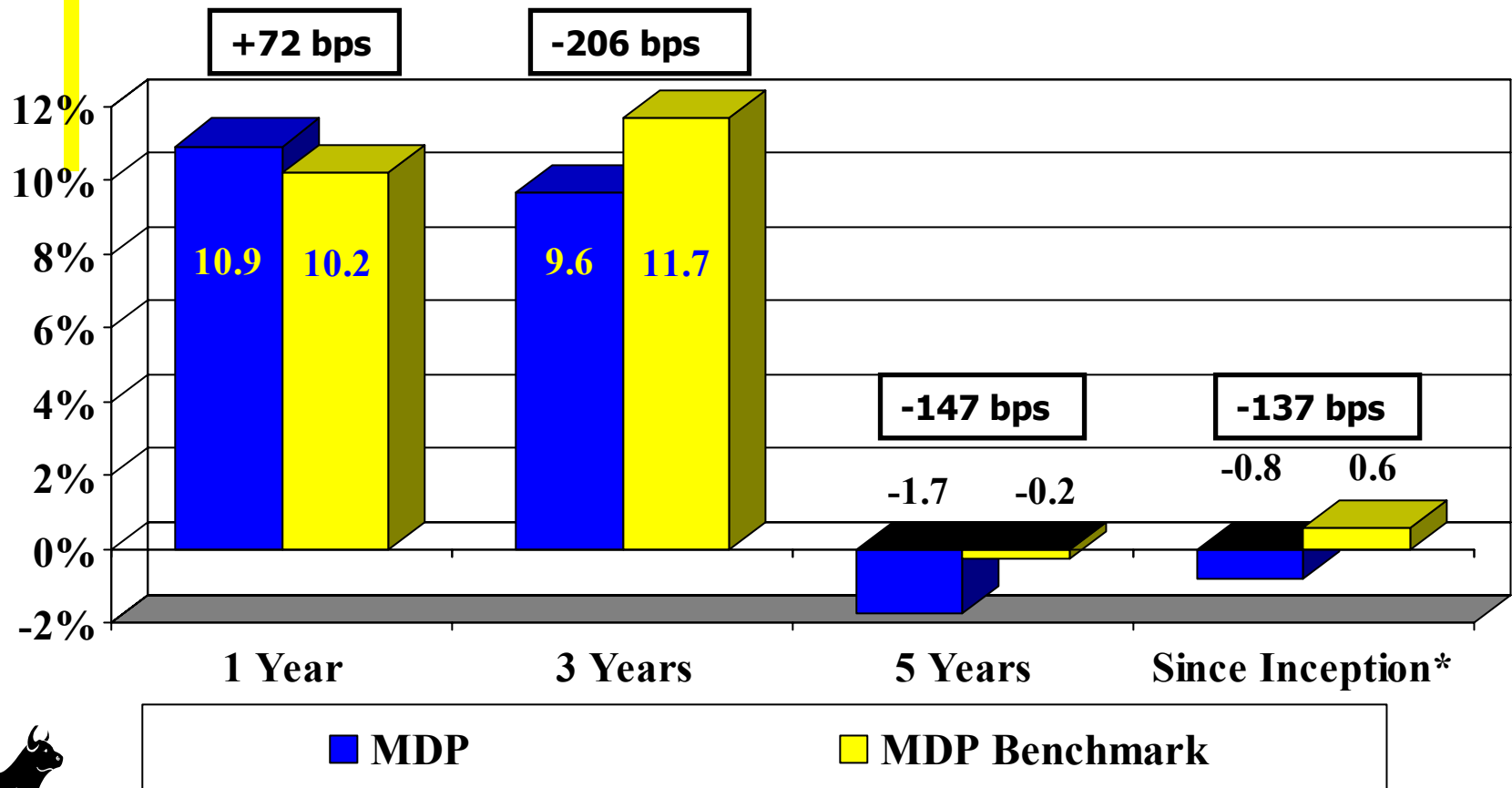


*Inception Date: 4/1/2002. CFA Institute compliant, Net of fees



Manager Development Program Annualized Active Return in Basis Points as of 6/30/05

(Current Assets of \$2.8 Billion)



*Inception Date: 6/1/2000. CFA Institute compliant, Net of fees